CHILTON'S

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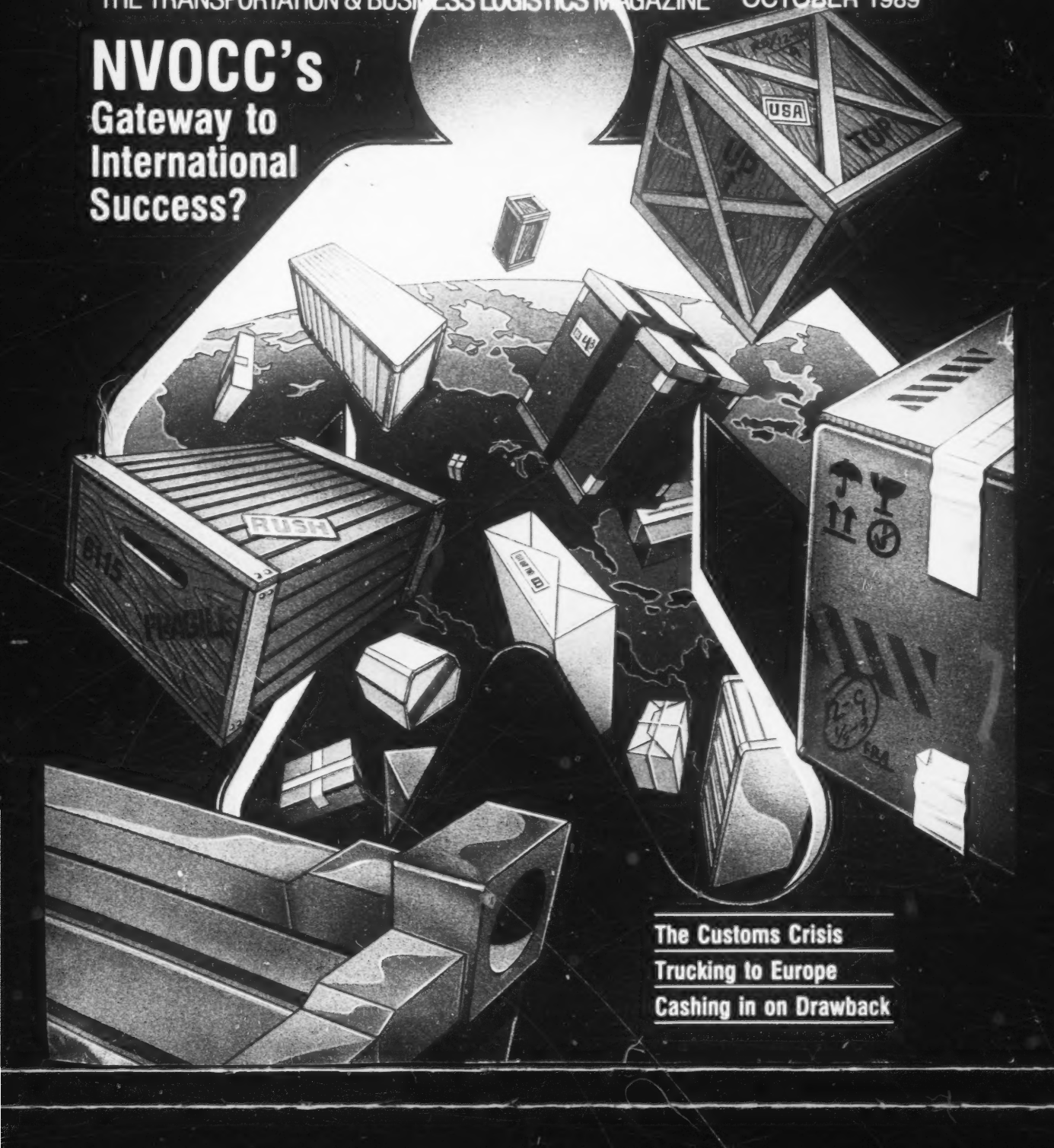
THE TRANSPORTATION & BUSINESS LOGISTICS MAGAZINE OCTOBER 1989

NVOCC's Gateway to International Success?



The Customs Crisis

Trucking to Europe

Cashing in on Drawback

OCTOBER 1989

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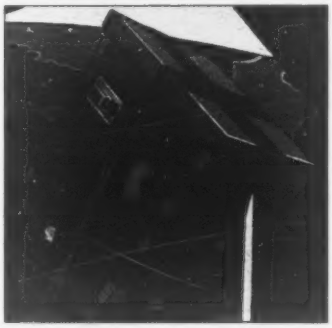
VOL. 88, NO. 10

COVER STORY



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Non-vessel operating common carriers are often perceived as maritime middlemen. When the Shipping Act of 1984 deregulated much of ocean commerce, NVOCCs became even more prevalent. Most say non-vessel operators have either filled a vital niche in global commerce or filled their own coffers by preying on less sophisticated, lower-volume shippers.

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LOGISTICS BROADENS ITS HORIZONS

A survey of readers' international activities shows that many logisticians already have what it takes to be successful in the 1990s and beyond—and that many more are eager to join them.

By Joseph V. Barks, Contributing Editor

Earlier this year, when a *Wall Street Journal* article profiled the CEO of the year 2000, "getting global" was right at the top of the list of requirements. The experts quoted in the article weren't talking about taking a few just-for-show trips on the Concorde. It was stressed that real hands-on, everyday experience with foreign operations will attract the executive recruiters of tomorrow (and in some cases, today).

With this in mind, there are some logisticians out there who are well on their way to executive row. Marguerite P. Fleming, traffic manager for Laitram Machinery Inc., says: "Understanding the transportation information, negotiating with freight forwarders and having a better understanding of the LTL carriers and their positions when quoting a shipping rate," are most important to her.

Through responses to a recent DISTRIBUTION survey about international activities, a number of readers indicated that they are already getting extensive opportunities to be at the forefront of their companies' forays into worldwide competition. These managers are committed enough to the international side of their duties that, when asked to list the skills they most needed to develop, fluency in other languages was often routinely mentioned.

Another key attribute of the "global renaissance executive," according to the article, will be an ability to utilize

continued

DISTRIBUTION'S CONTRIBUTION TO INTERNATIONAL ACTIVITIES

General Business

Coordination w/ mktg., sales for export customer service	54.5%
Review of quotes or POs for major transactions	50.7
Regular contact w/ foreign customer or vendors	44.0
Profit enhancement w/ customs-saving devices (FTZs, drawback) or tax-saving devices (FSCs)	38.0
Planning distribution systems in foreign countries	34.3
Coordination w/ mfg. on outsourced components	33.6

DISTRIBUTION'S CONTRIBUTION TO INTERNATIONAL ACTIVITIES

Technical

Transportation documentation	67.9%
Transportation arrangements	65.7
U.S. export documents and procedures	64.9
Preparation or review of L/C, other bank documents	57.5
Complete door-to-door transportation	56.7
U.S. Customs procedures	50.0
Processing of foreign orders	48.5
Cargo insurance	47.0
Foreign customs procedures	35.8
Foreign warehousing and distribution	25.4

International distribution may seem more glamorous and complicated, but the list of major duties now handled by global logisticians reminds us that the job still boils down to basics. If anything, the emphasis on paperwork and procedures magnifies the mundane aspects of the work. The low involvement with warehousing is probably a reflection of added dependence on forwarders and foreign carriers, many of which operate their own public warehouses as part of the total distribution services that they offer.

worldwide information networks. Here too, some of the distribution managers surveyed seem to be on the right path. Many mentioned the need to do more with computers and EDI systems so that information about all vital aspects of an international transaction can be accessed on an immediate basis. W.J. Gaffney, supervisor of transportation specialists, General Tire Co., Inc., says these items top his list: "Electronic data interchange of documents, ocean rate negotiating, port selection, inbound clearance and expediting."

More in Basic Training

However, while a significant portion of the survey responses showed that many readers and their organizations are perched on the cutting edge of the international trend, an even larger percentage expressed a need to grasp basic international distribution skills before moving on to more sophisticated areas. As reflected in both the overall findings to the survey questions (see tables throughout this article), and in the sampling of individual comments (see box, p. 63), most international distribution managers are still largely confined to nuts-and-bolts duties like packaging, transportation, customs clearance and storage, and are less likely to be involved from a strategic standpoint. The usual comments about the need to develop basic skills in international transportation, regulations, customs procedures, and so forth, continue to be interspersed with laments such as this one from an anonymous, and obviously frustrated, global logistician: "I still need to know how to talk to vice presidents about the proper place of international logistics in the modern corporate environment."

In short, international involvement and exposure within the distribution field now seems to run the gamut. The good news, though, is that the gamut is expanding to take in more organizations and more distribution professionals as requirements for global activity continue to grow. A key to all this, however, will be a "better understanding of regulations. And knowing where and how to find information concerning exporting and importing problems," says John M. Thompson, distribution manager, regulatory affairs, Airco Special Gases. ■

INTERNATIONAL SUBJECTS OF INTEREST

Laws and regulations governing exports/imports	69.4%
Sources of general information	56.0
Intl. documentation procedures	53.0
Customs procedures	50.0
L/C, banking and financing intl. transactions	48.5
How to use forwarders, customs brokers, etc.	47.0
Intl. transportation services	46.3
Questions and answers about international distribution	44.8
How distribution is done in specific foreign countries	44.0
Case histories	42.5
Insurance for exports/imports	35.8
Export packing, container stowage, protective packaging	34.3
FTZs	23.9

Not surprisingly, regulatory "do's and don'ts" dominate the list of international logisticians' informational needs. Surprisingly, the need for general information is still strong. While one would think that by now the basic messages have been well absorbed, there are apparently still many companies and distribution departments that are just getting started. Also notable on this list is the subject of least interest. Once a much-talked about concept, Foreign Trade Zones are now apparently passé as a trend in international logistics.

MOST SIGNIFICANT IMPACT ON INTL. DISTRIBUTION STRATEGIES

Borderless Europe (1992)	28.3%
U.S.-Canada Free Trade Agreement	27.6
Harmonized customs system	19.4
Japan's possible opening of markets	19.4
Trade Protection Act of 1988	13.4
Possible Adoption of U.N. hazmat standards	2.4
Value of the U.S. dollar	1.5
Other	2.9

Europe and 1992 has received the bulk of media attention, but the close second posted by the Canadian treaty reminds us of how significant U.S.-Canada trade remains to many American importers and exporters. The low perception of significance for the value of the dollar is, unfortunately, probably a reflection of the still-limited involvement of logisticians in strategic, market- and finance-related decisions. By the time an international transaction reaches many logistics departments, it's usually been determined if the current financial climate is favorable enough to proceed, and distribution costs are expected to meet profit expectations that have been established elsewhere. Unfortunately, many logistics managers who are put in this situation find out the hard way just how important exchange rates can be.

International Survey Results

INTERNATIONAL AREAS OF INTEREST

U.K. and Western Europe	56.0%
Canada	37.3
Japan	29.1
Central and South America	28.3
Other Asian Countries/Pacific Rim	27.6
Australia/New Zealand	25.4
China (PRC)	25.4
Mexico	20.9
Eastern Europe/USSR	17.9
Middle East	13.4
Caribbean	11.2
Africa	10.4

Results here make it clear that 1992 and the EuroTunnel have now captured the interest of most international shippers. No doubt, if this poll was taken again this year, the rating for China would be significantly altered as a reflection of internal developments in this area. Interest from companies that had already established a presence in China before its upheaval is certainly far more acute; interest from companies that had yet to join the Chinese trend has now probably waned.

WHAT INTERNATIONAL LOGISTICIANS STILL NEED TO KNOW

"Each country's distribution systems."—**Peter Strugaty, Executive Vice President, Austin Productions, Inc. Holbrook, NY**

"Carrier-forwarder-shipper EDI network. Sources of reliable rate information and shipping schedules, including ETAs (other than Journal of Commerce)."—**John C. Kouser, Manager, Distribution Services, Durkee Industrial Foods Corp., Cleveland, OH**

"More precise interpretation of ocean tariff rates. Improve our ability to get correct rates from ocean carriers."—**Richard S. Derian, Director of Transportation, Murray Chris Craft, Bradenton, FL**

"International finance."—**Michael G. Goode, Rail Group Manager, Parsons Brinckerhoff, Herndon, VA**

"Developing better computer skills; learning foreign languages to have fluency (both verbal and written)."—**Edward J. Zell, Manager, Transportation & Shipping, Solar Turbines Inc., San Diego, CA**

"Financing incentives of all countries (e.g. S/A = FINEX). Economic issues, export/import changes, political stability of all countries."—**Donald L. Grant, Project Control Supervisor, Ford Motor Co., Louisville, KY**

"Letters of credit, dock receipts, export boxing, choice of best forwarders for areas of foreign trade."—**Daniel G. Grow, Traffic & Material Handling Coordinator, Goulds Pumps, Inc., Ashland, PA**

"Licensing and EDI."—**Gene Seigal, Senior Traffic Administrator, Cubic Corp., San Diego, CA**

"Foreign customs laws, charges, etc."—**Paul Puttkammer, Manager, Traffic Operations, Storage Technology Corp., Louisville, CO**

"PC programs that record, track and trace export/import shipments."—**Michael Kusuplos, Export/Import Control Analyst, Carrier Corp., Syracuse, NY**

"Cost justification of offshore sourcing, net value to sales of export orders (the cost to process eats up profits), software and technology sales."—**Alex Kentfield, Senior Associate, The Austin Co., Carol Stream, IL**

"Evaluation of competitive quotations (forwarders, steamship lines, air express)."—**Don Yaxley, Supervisor, International Distribution Operations, Itek Graphic Corp., Rochester, NY**

"Coping with U.S. government's and banks' indifference to exports for firms under U.S. $10 million in sales."—**John J. Cuadrado, President, Belco Resources Inc., Eastchester, NY**

"Knowing best vendors—courier services; programs that will expedite shipments through customs."—**William C. Miller, Supervisor, Shipping and Receiving, Peed Corp., Lincoln, NE**

"Finance/economics. Political considerations. Long-range planning/partnerships."—**Virginia Hopkirk, Director, International Transportation, Nike, Inc., Beaverton, OR**

"Hazardous materials—new regulations."—**Joan Hurley, Export Manager, Perry Austen Intl., Des Moines, IA**

"Procedures. Best possible way to ship product meeting FDA standards."—**Dennis L. Hilligoss, Shipping/Mailroom Manager, Core-Vent Corp., Sepulveda, CA**

"Customs procedures and preparation handling. International air and ocean transportation negotiating."—**Thomas Rein, Inventory Analyst, Mettler Instrument Corp., Hightstown, NJ**

"Intermodal coordination (end-to-end). Understanding foreign exchange and how to apply it."—**Janet Wolf, Documentation Specialist, Engelhard Corp., Parma, OH**